

Message Text

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15

ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-03 FPC-01 H-01 INR-10

INT-01 L-02 NSAE-00 NSC-07 OMB-01 PM-03 RSC-01 SAM-01

SCI-03 SP-02 SS-14 STR-01 TRSE-00 FRB-01 PA-01

USIA-04 PRS-01 DRC-01 /083 W
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R 102135Z OCT 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 2810

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 6722

E.O. 11652: GDS

TAGS: ENRG, EC

SUBJECT: TEXACO-GULF

REF: QUITO 6617

1. TEXACO MANAGER MARTINEZ CALLED ON AMBASSADOR OCTOBER 10 TO INFORM HIM OF LATEST DEVELOPMENTS ON BUYBACK, CEPE DEBT AND TAX/ROYALTY INCREASES. ON BUYBACK, TEXACO EXECUTIVE CRAWFORD AND LEADING COMPANY ECONOMIST WERE HERE THIS WEEK TO EXPLAIN TO CEPE MANAGER VARGAS, MIN NAT RES ADVISOR SALAS AND OTHERS THE CURRENT REALITIES OF OIL MARKETING. PRESSURE TO SIGN A BUYBACK AGREEMENT IMMEDIATELY HAS ABATED. VARGAS INFORMED TEXACO THAT CEPE HAS SOLD ITS PARTICIPATION OIL UNTIL THE END OF THE YEAR AT A PRICE IN EXCESS OF \$12. HE WANTS A BUYBACK AGREEMENT EFFECTIVE JAN-

UARY 1, 1975. TEXACO BELIEVES THE PARTICIPATION OIL SOLD BY CEPE IS DESTINED FOR THE WEST COAST, U.S.A.; THE FIRST TANKER IS EXPECTED AT THE END OF THE MONTH. ALTHOUGH VARGAS AND SALAS APPEARED TO UNDERSTAND TEXACO'S
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PROBLEM IN ACCEPTING A BUYBACK PRICE IN THE ORDER OF

93 OR 95 PERCENT, THEY KEPT ASKING WHY TEXACO CANNOT PAY THE KIND OF MONEY THAT CEPE SEEMS ABLE TO COMMAND IN THE DIRECT SALE MARKET.

2. ON THE CEPE DEBT, VARGAS READILY OFFERED TO PAY THE \$10 MILLION TO TEXACO-GULF RIGHT AWAY. (QUITO 6574) MARTINEZ HOWEVER DOUBTS THAT VARGAS CAN COMPLETE THE MECHANICS BEFORE DEPARTING FOR GUAYAQUIL OCTOBER 11 AND THENCE TO HOUSTON WHERE HE IS TO UNDERGO MEDICAL TREATMENT BEGINNING OCTOBER 14 AND LASTING PERHAPS A MONTH.

3. ON RECENT TAX/ROYALTY INCREASE, MARTINEZ SAID IT WILL AMOUNT TO 71 CENTS PER BARREL (EMBASSY CALCULATED 59 CENTS; GOVERNMENT FIGURE IN PRESS IS 55 CENTS; GULF OFFICIAL TOLD US 80 CENTS. DISCREPANCY MAY BE DUE TO DIFFERENT ASSUMPTIONS ABOUT LEVEL OF PRODUCTION OUT OF WHICH A FIXED QUANTITY GOES FOR DOMESTIC CONSUMPTION AND BARTER AT A FIXED PRICE.) IN ANY EVENT, MARTINEZ ASSERTED THAT ECUADOREAN CRUDE IS PRICED ABOVE THE MARKET. HE SAID THAT MINISTER JARRIN AND ADVISOR CABEZAS SIMPLY MISLED TEXACO-GULF IMPLYING THAT GOE WAS WILLING TO FORGET THE TAX/ROYALTY INCREASE IN RETURN FOR A HIGH-PRICED BUYBACK AGREEMENT. IN THIS CONNECTION, HE REPORTED THAT JARRIN AND HIS ADVISORS ALTHOUGH RELIEVED AND RESIGNED RESPECTIVELY, ARE BEHAVING IN THEIR LAST DAYS IN OFFICE LIKE WOUNDED DOGS. THE TAX/ROYALTY INCREASE IS ONE OF THEIR LAST ACTS. MARTINEZ SAID TEXACO HAS ALSO RECEIVED TROUBLESOME LETTERS FROM THE MINISTRY. WITHOUT BEING MORE SPECIFIC, HE SAID THAT ONE CALLS FOR RE-NEGOTIATION OF THE CRUDE/ RECONSTITUTED CRUDE BARTER TERMS. ANOTHER CONCERNS THE HANDLING OF ROYALTIES. MARTINEZ HAS NO IDEA WHEN THE NEW MINISTER SALAZAR WILL TAKE OVER OR WHAT TO EXPECT OF HIM. THE LAST DAYS OF THE OLD TEAM HOWEVER CONTINUE TO BE VERY PAINFUL FOR TEXACO.

4. TEXACO AND GULF HEADQUARTERS ARE NOW CONSULTING ON THEIR NEXT RESPONSES OR ACTIONS. THEY MAY DECIDE TO SEEK AN APPOINTMENT WITH PRESIDENT RODRIGUEZ. THE AMBASSADOR ADVISED MARTINEZ THAT HE WAS CONSIDERING ASKING CONFIDENTIAL

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FOR AN APPOINTMENT WITH THE PRESIDENT PRIOR TO OCTOBER 23 AND ASKED MARTINEZ TO CONTINUE TO KEEP HIM FULLY INFORMED.
BREWSTER

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